

**GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH  
CALCASIEU PARISH POLICE JURY  
COMPONENT UNIT FINANCIAL REPORT**

**December 31, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-21-06

GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH  
Lake Charles, Louisiana

FINANCIAL REPORT  
December 31, 2005

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**GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH**

**December 31, 2005**

**COMMISSIONERS**

**Ernest Walker - President  
Jack Chelette - Vice President  
Lowell Guillory - Secretary Treasurer  
Patrick Hay - Board Member  
Bernadette Stevens - Board Member**

**LEGAL COUNSEL**

**Terry Manuel - Assistant District Attorney**



## Langley, Williams & Company, L.L.C.

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MEMBERS OF -  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS  
TEXAS STATE BOARD  
OF PUBLIC ACCOUNTANCY  
PUBLIC COMPANY  
ACCOUNTING OVERSIGHT BOARD  
CENTER FOR PUBLIC  
COMPANY AUDIT FIRMS

### REPORT OF INDEPENDENT AUDITORS

Board of Commissioners  
Gravity Drainage District No. 4  
of Calcasieu Parish  
Calcasieu Parish Police Jury  
Lake Charles, Louisiana

We have audited the accompanying financial statements of the governmental activities of Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of December 31, 2005, which comprises the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

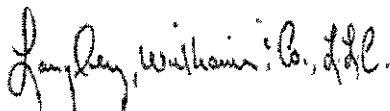
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, as of December 31, 2005, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2006, on our consideration of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and page 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**Gravity Drainage District No. 4 of Calcasieu Parish**  
**Page 2**

This report is intended solely for the information and use of the audit committee, management, Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script, appearing to read "Langley, William B., L.L.C.".

Lake Charles, Louisiana  
February 28, 2006

**Board of Commissioners**

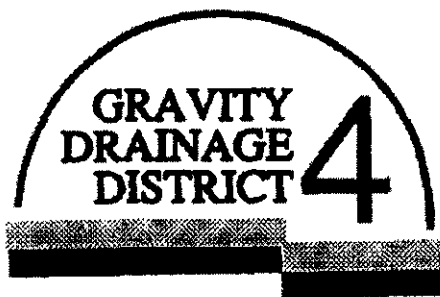
**Jack Chelette**

**Lowell Guillory**

**Patrick Hay**

**Bernadette Stevens**

**Ernest L. Walker**



**Engineer**  
**D.W. Jessen, C.E.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Gravity Drainage District No. 4 of Calcasieu Parish (District) financial performance provides an overview of the District's financial activities for the year ended December 31, 2005.

**USING THE ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's special revenue fund.

**The Statement of Net Assets and the Statement of Activities**

The Statement of Net Assets and the Statement of Activities report information about the District as a whole and provide the reader with a broad overview of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) is one way to measure the District's financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

## Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Since the District is not a complex entity, only a special revenue fund is utilized. The District's governmental fund uses a certain account approach described below:

**Governmental funds** - The District's special revenue fund is reported as a governmental fund. The governmental fund focuses on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can readily be spent in the near future to finance the District's projects.

### Gravity Drainage District No. 4 as a Whole

For the year ended December 31, 2005 and 2004, net assets changed as follows:

	2005	2004
<b>ASSETS</b>		
Current assets	\$ 8,339,264	\$ 8,014,496
Capital assets (net)	13,309,465	13,530,356
Total assets	<u>21,648,729</u>	<u>21,544,852</u>
 <b>LIABILITIES</b>		
Total liabilities	<u>49,483</u>	<u>174,008</u>
 <b>NET ASSETS</b>		
Total net assets	<u>\$ 21,599,246</u>	<u>\$ 21,370,844</u>

The \$228,402 increase in net assets is detailed in the Statement of Activities.

## Governmental Activities

This section will show a condensed financial comparison of revenues and expenses and provides explanations for significant differences. To aid in the understanding of the statement of activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical statement of revenues, expenses and changes in fund balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. It also identifies how much of a function's cost is covered by fees generated by the function and how much is covered by general revenues.

Some of the individual line item revenues reported for each function are:

Administration (general government)

General revenues (e.g., ad valorem taxes, state revenue sharing, interest earnings, etc.) are used to fund daily administrative activities

Drainage projects

In addition to general revenues, state, parish and city grants are used to fund drainage repair and construction

	Functions/Programs		Total		Change From 2004
	Administration	Drainage	2005	2004	
Expenses:					
Salaries and benefits	\$ 148,433	\$ 689,134	\$ 837,567	\$ 781,830	\$ (55,737)
Other expenses	175,761	1,136,536	1,312,297	1,127,780	(184,517)
Total expenses	<u>324,194</u>	<u>1,825,670</u>	<u>2,149,864</u>	<u>1,909,610</u>	<u>(240,254)</u>
Program revenues:					
State and local grants	-	74,089	74,089	460,708	(386,619)
General revenues			<u>2,304,177</u>	<u>2,183,888</u>	<u>120,289</u>
Total revenue			<u>2,378,266</u>	<u>2,644,596</u>	<u>(266,330)</u>
Change in net assets			<u>\$ 228,402</u>	<u>\$ 734,986</u>	<u>\$ (506,584)</u>

The decrease in the change in net assets between 2004 and 2005 of \$506,584 was primarily due to the decrease in program grants of \$386,619. Additionally, expenses increased primarily due to Hurricane Rita.



#### Gravity Drainage District No. 4

The following schedule presents a summary of the special revenue fund revenues and expenditures for the years ended December 31, 2005 and 2004. Also presented on the schedules are the amounts and percentages of change from the year ended December 31, 2004.

	<u>2005</u>	<u>2004</u>	<u>Change From 2004</u>	<u>Variance</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,996,283	\$ 1,988,750	\$ 7,533	0.38%
State revenue sharing	80,428	80,428	-	0.00%
State and local grants	74,089	460,708	(386,619)	-83.92%
Other income	<u>227,466</u>	<u>114,710</u>	<u>112,756</u>	<u>98.30%</u>
<b>Total revenues</b>	<u>\$ 2,378,266</u>	<u>\$ 2,644,596</u>	<u>\$ (266,330)</u>	<u>-10.07%</u>

The state awarded less grant money on construction projects in 2005 than in 2004.

Other income increased due to additional interest earnings on higher interest rates and the sale of equipment for approximately \$40,000.

<b>Expenditures:</b>				
Salaries and benefits	\$ 813,567	\$ 758,330	\$ 55,237	7.28%
Per diem (Board of Commissioners)	24,000	23,500	500	2.13%
Operating services	632,116	448,376	183,740	40.98%
Materials and supplies	161,284	158,734	2,550	1.61%
Intergovernmental charges and miscellaneous expense	68,904	84,968	(16,064)	-18.91%
Capital outlay	<u>229,102</u>	<u>1,839,317</u>	<u>(1,610,215)</u>	<u>-87.54%</u>
<b>Total expenditures</b>	<u>\$ 1,928,973</u>	<u>\$ 3,313,225</u>	<u>\$ (1,384,252)</u>	<u>-41.78%</u>

Salaries and benefits increased primarily due to increases in health insurance and retirement costs.

Operating services increased primarily due to additional expenses incurred due to Hurricane Rita as well as some gate repairs.

Capital outlay decreased because there were several large construction projects in 2004, however, there were no large projects in 2005.

## SIGNIFICANT BUDGET VARIANCES

### Gravity Drainage District No. 4

Annually, the Gravity Drainage District No. 4 adopts a revenue and expenditure budget for the special revenue fund. A forecast of revenues and expenditures is made based upon the prior year's expenditures and taking into consideration additional expenditures which can be predetermined and estimated. All budgetary appropriations lapse at the end of each fiscal year. Following is a summary budget-to-actual comparison for the year ended December 31, 2005:

	Budget	Actual	Variance	
			\$	%
Revenues:				
Ad valorem taxes	\$ 2,040,000	\$ 1,996,283	\$ 43,717	2.19%
State revenue sharing	80,400	80,428	(28)	-0.03%
State and local grants	-	74,089	(74,089)	-100.00%
Other income	110,000	227,466	(117,466)	-51.64%
Total revenues	<u>\$ 2,230,400</u>	<u>\$ 2,378,266</u>	<u>\$ (147,866)</u>	-6.22%

The parish awarded more grant money on construction projects than expected.

Interest income was higher than budgeted.

Expenditures:				
Salaries and benefits	\$ 790,000	\$ 813,567	\$ (23,567)	-2.90%
Per diem (Board of Commissioners)	24,000	24,000	-	0.00%
Operating services	592,214	632,116	(39,902)	-6.31%
Materials and supplies	190,900	161,284	29,616	18.36%
Intergovernmental service charges	68,400	68,904	(504)	-0.73%
Capital outlay	316,255	229,102	87,153	38.04%
Total expenditures	<u>\$ 1,981,769</u>	<u>\$ 1,928,973</u>	<u>\$ 52,796</u>	2.74%

Material and supplies were under budget primarily due to fuel costs were less than expected because of dry weather.

The budget included some contingency funds which were not utilized.

## CAPITAL ASSETS

At the end of December 31, 2005, Gravity Drainage District No. 4 had \$13,309,465 net of accumulated depreciation, invested in capital assets including infrastructure, construction in progress, building improvements, heavy and light equipment, and land. The chart listed below represents the breakdown:

	2005	2004
Land	\$ 259,016	\$ 259,016
Building - improvements	49,238	49,238
Furniture and fixtures	20,603	20,603
Light equipment	269,630	299,921
Heavy equipment	1,309,789	1,271,348
Infrastructure	18,057,682	18,024,608
Construction in process	45,000	-
	<u>20,010,958</u>	<u>19,924,734</u>
Less accumulated depreciation	<u>6,701,493</u>	<u>6,394,378</u>
Net capital assets	<u>\$ 13,309,465</u>	<u>\$ 13,530,356</u>

The increase in heavy equipment was primarily due to purchases of a dump truck and two diesel generators.

## ECONOMIC FACTORS AND NEXT YEAR'S RATES

Presently, the District operates on a millage of 5.79 mills levied on the yearly tax roll on all property subject to taxation, which is a small increase from 5.77 mills in 2004. Ad valorem taxes for the District are expected to remain at the same levels for the foreseeable future.

Employee benefits, including health insurance and retirement benefits, are expected to rise in the near term due to rate increases.

## FUTURE OPERATIONS

In January 2006, the public works committee of the Calcasieu Parish Police Jury recommended to gradually migrate the responsibilities of the seven parish drainage districts to the parish's public works department. However, any plan to do so would have to be approved by the full Police Jury and any changes in the ad valorem taxes would have to be approved by parish voters.

## CONTACTING GRAVITY DRAINAGE DISTRICT NO. 4 FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of Gravity Drainage District No. 4's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Gravity Drainage District No. 4 at 1204 Lakeshore Drive, Lake Charles, LA.

  
Sheila Ozane  
Office Manager  
Gravity Drainage District No. 4

**GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH**

**STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES  
December 31, 2005**

<b><u>ASSETS</u></b>	
Current assets:	
Cash and deposits	\$ 508,030
Investments	5,708,966
Taxes receivable, (net)	2,074,571
Other receivables	47,697
Total current assets	<u>8,339,264</u>
Noncurrent assets:	
Capital assets (net)	<u>13,309,465</u>
Total assets	<u>21,648,729</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	7,421
Other current liabilities	42,062
Total liabilities	<u>49,483</u>
<b><u>NET ASSETS</u></b>	
Investment in capital assets	13,309,465
Fund balance - unrestricted	<u>8,289,781</u>
Total net assets	<u>\$ 21,599,246</u>

The accompanying notes are an integral part of this statement.

**GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH**

**STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES  
For the Year Ended December 31 2005**

	Functions/Programs		
	Administration	Drainage	Total
<b>Expenses:</b>			
Salaries and benefits	\$ 148,433	\$ 689,134	\$ 837,567
Materials and supplies	16,304	144,980	161,284
Operating services	88,587	543,529	632,116
Other program expenses	68,904	-	68,904
Depreciation	1,966	448,027	449,993
Total expenses	<u>324,194</u>	<u>1,825,670</u>	<u>2,149,864</u>
<b>Program revenues:</b>			
State and local grants	-	74,089	74,089
Net program expenses	<u>\$ 324,194</u>	<u>\$ 1,751,581</u>	<u>2,075,775</u>
<b>General revenues:</b>			
Ad valorem taxes			1,996,283
State revenue sharing			80,428
Interest income			186,825
Miscellaneous income (expense)			40,641
Total general revenues			<u>2,304,177</u>
Change in net assets			228,402
Net assets at beginning of year			<u>21,370,844</u>
Net assets at end of year			<u>\$ 21,599,246</u>

The accompanying notes are an integral part of this statement.

**GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH**

**BALANCE SHEET - GOVERNMENTAL FUND  
December 31, 2005**

	<u>Special Revenue Fund</u>
<b><u>ASSETS</u></b>	
Cash and deposits	\$ 508,030
Investments	5,708,966
Taxes receivable, (net of allowance for uncollectibles of \$21,167)	2,074,571
Other receivables	<u>47,697</u>
Total assets	<u><u>\$ 8,339,264</u></u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>	
Liabilities:	
Accounts payable	\$ 7,421
Other current liabilities	<u>42,062</u>
Total liabilities	<u><u>49,483</u></u>
Fund equity:	
Fund balance - unreserved:	
Designated (Note 11)	8,289,781
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$6,701,493	<u>13,309,465</u>
Net assets of governmental activities	<u><u>\$ 21,599,246</u></u>

The accompanying notes are an integral part of this statement.

**GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUND  
For the Year Ended December 31 2005**

	Special Revenue Fund
Revenue:	
Ad valorem taxes	\$ 1,996,283
Local grants:	
Calcasieu Parish Police Jury	74,089
State revenue sharing	80,428
Interest	186,825
Proceeds from sale of assets	40,075
Miscellaneous	566
Total revenues	<u>2,378,266</u>
Expenditures:	
Public works:	
Drainage and flood control:	
Salaries and benefits	813,587
Per diem (Board of Commissioners)	24,000
Operating services	632,116
Materials and supplies	161,284
Intergovernmental charges	68,904
Capital outlay	229,102
Total expenditures	<u>1,928,973</u>
Excess revenues over expenditures	449,293
Fund balance at beginning of year	<u>7,840,488</u>
Fund balance at end of year	<u><u>\$ 8,289,781</u></u>

The accompanying notes are an integral part of this statement.

**GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUND- (CONTINUED)  
For the Year Ended December 31 2005**

	<u>Total Governmental Fund</u>
Reconciliation of the change in fund balances - total governmental fund to the change in net assets of governmental activities:	
Net change in fund balance - total governmental fund	\$ 449,293
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases	229,102
Depreciation expense	<u>(449,993)</u>
Change in net assets of governmental activities	<u>\$ 228,402</u>

The accompanying notes are an integral part of this statement.



**GRAVITY DRAINAGE DISTRICT NO. 4**  
**Lake Charles, Louisiana**  
**December 31, 2005**  
**NOTES TO FINANCIAL STATEMENTS**

Gravity Drainage District No. 4 is a component unit of the Calcasieu Parish Police Jury responsible for maintenance of certain natural drainage laterals located in Ward 3, Calcasieu Parish. The District is authorized by R.S. 38:1751 to establish policies and regulations for its own government consistent with the laws of the State of Louisiana. The Drainage Board is comprised of 5 members who are appointed by the Calcasieu Parish Police Jury for terms of four years.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The financial statements of the Gravity Drainage District No. 4 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

**B. REPORTING ENTITY**

The accompanying financial statements include the various activities that are within the control and authority of the Board of Commissioners of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the Gravity Drainage District No. 4 is a component unit of the Calcasieu Parish Police Jury and has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana.

**C. FUND ACCOUNTING**

The Gravity Drainage District No. 4 uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate fiscal and accounting entity with a self-balancing set of accounts.

The district maintains one fund to account for its operations which it has classified as a special revenue fund. Special revenue funds are used to account for all specific revenue sources that are legally restricted to expenditures for specific purpose.

**GRAVITY DRAINAGE DISTRICT NO. 4**  
**Lake Charles, Louisiana**  
**December 31, 2005**  
**NOTES TO FINANCIAL STATEMENTS**

**D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, the following practices are utilized in recording revenues and expenditures:

Revenues – The governmental fund type uses a current financial resources measurement focus and is accounted for using the modified accrual basis of accounting. The revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Those revenues susceptible to accrual are property taxes, intergovernmental, and interest revenue. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

Expenditures - Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. BUDGETS AND BUDGETARY ACCOUNTING**

Annually, the District adopts a revenue and expenditure budget for its special revenue fund. A forecast of revenues and expenditures is made based upon the prior year's revenues and expenditures and taking into consideration additional expenditures which can be predetermined and estimated. All budgetary appropriations lapse at the end of each fiscal year.

The budget is adopted on a GAAP basis method of accounting. Budgetary comparisons presented in this report are on this GAAP budgetary basis. Budget amounts are as originally adopted, adjusted for subsequent amendments.

Encumbrance accounting is not used.

**GRAVITY DRAINAGE DISTRICT NO. 4**  
**Lake Charles, Louisiana**  
**December 31, 2005**  
**NOTES TO FINANCIAL STATEMENTS**

**F. CASH AND DEPOSITS**

In prior years, the District considered highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. In order to conform to the requirements of GASB Statement No. 31, cash and deposits (generally interest-bearing demand deposits) are separate from investments that formerly were considered cash equivalents (primarily deposits with Louisiana Asset Management Pool), which are now presented as investments. Cash and deposits are stated at cost.

**G. INVESTMENTS**

Louisiana state statutes, as stipulated in R.S. 39:1271, authorize the District to invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The state statutes also authorize the District to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. In addition the District is authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by the initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investing is performed in accordance with investment policies complying with State Statutes and those adopted by the Board of Commissioners.

Investments, which include U.S. Government agencies and deposits in LAMP, are stated at fair market value.

**H. CAPITAL ASSETS**

The accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$300.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	15 to 40 years
Improvements, other than buildings	5 to 40 years
Furniture and fixtures	3 to 10 years
Machinery and equipment	3 to 15 years
Infrastructure	15 to 40 years

**GRAVITY DRAINAGE DISTRICT NO. 4**  
**Lake Charles, Louisiana**  
**December 31, 2005**  
**NOTES TO FINANCIAL STATEMENTS**

**M. VACTION AND SICK LEAVE**

Substantially all employees earn five to twenty days of vacation leave each year depending on length of service with the District. Generally, vacation leave cannot be accumulated. However, vacation leave is allowed to be carried forward for the Superintendent, the Assistant Superintendent and the Office Manager, however, the liability is not considered by management to be material and the liability has not been accrued.

All District employees earn twelve and one-half hours of sick leave per month. Sick leave can be accumulated without limitation. Upon retirement, all unused sick leave is used in the retirement benefit computation as earned service.

Upon resignation, unused sick leave is forfeited and unused vacation leave must be taken and may not be settled in cash. Because these liabilities will not be settled in cash, they are not included in the financial statements.

**2. CASH AND DEPOSITS**

Cash and deposits were as follows at December 31, 2005:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits-interest bearing (category 1)	\$ 100,000	\$ 100,000
Demand deposits-interest bearing (category 3)	<u>408,030</u>	<u>590,411</u>
Total cash and cash equivalents	<u>\$ 508,030</u>	<u>\$ 690,411</u>

Cash and demand deposits of the District are classified into three categories to give an indication of the level of risk assumed at year end. Category 1 represents those deposits insured (inclusive of FDIC) or collateralized with securities held by the District or its agent in the District's name. Category 2 represents deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. Category 3 represents deposits uncollateralized including any securities held for the entity but not in the District's name.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. Government, obligations issued or guaranteed by an agency established by the U.S. Government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality or school district.

The District's bank demand deposits at year end were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the District's name.

**GRAVITY DRAINAGE DISTRICT NO. 4**  
**Lake Charles, Louisiana**  
**December 31, 2005**  
**NOTES TO FINANCIAL STATEMENTS**

**3. AD VALOREM TAXES AND STATE REVENUE SHARING**

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by Calcasieu Parish around October and are actually billed to the taxpayers in November. Billed taxes become delinquent on December 31.

The parish bills and collects its property taxes using the assessed values determined by the Calcasieu Parish Tax Assessor.

Accounting principles generally accepted in the United States of America for government prescribe a modified accrual basis to be applied to property tax revenues. An assessment is made to finance the budget of a particular period and the revenue produced from any property tax assessment should be recognized in the fiscal period for which it was provided (budgeted) and for which the collections are reasonably available. Expected collections and collections of the 2005 levy are accrued as receivable and as revenue in the current year (2005). For budget purposes, property taxes collected in 2005 are designated as revenue appropriable in the 2005 budget year.

**4. INVESTMENTS**

The District has entered into an agreement with the Calcasieu Parish Police Jury whereby the Police Jury provides investment management services. At December 31, 2005, the fair value of the District's investment in U.S. agency securities was \$4,269,137 which is categorized as Category 1 under the provisions of GASB Statement No. 3. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the name of the District. The weighted-average yield on the U.S. agency securities was 3.69% and the weighted-average maturity was 371 days as of December 31, 2005.

Deposits held by LAMP at December 31, 2005, consist of \$1,439,829 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). In accordance with GASB Statement No. 3, the investment in LAMP is not categorized in the three risk categories provided by GASB Statement No. 3 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP Inc., a non-profit corporation organized under the laws of the state of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

At December 31, 2005, the weighted-average yield on the deposits at LAMP was 4.23% and the weighted-average maturity was 13 days. LAMP is rated AAAM with Standard & Poors.

**GRAVITY DRAINAGE DISTRICT NO. 4**  
**Lake Charles, Louisiana**  
**December 31, 2005**  
**NOTES TO FINANCIAL STATEMENTS**

**5. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance 1/1/05	Additions	Deletions	Balance 12/31/05
<b>Governmental activities:</b>				
Land	\$ 259,016	\$ -	\$ -	\$ 259,016
Buildings	49,238	-	-	49,238
Furniture and fixtures	20,603	-	-	20,603
Light equipment	299,921	5,304	35,595	269,630
Heavy equipment	1,271,348	145,724	107,283	1,309,789
Infrastructure	18,024,608	33,074	-	18,057,682
Construction in progress	-	45,000	-	45,000
Total at historical cost	<u>19,924,734</u>	<u>229,102</u>	<u>142,878</u>	<u>20,010,958</u>
<b>Less accumulated depreciation:</b>				
Buildings	10,322	1,715	-	12,037
Furniture and fixtures	20,102	251	-	20,353
Light equipment	132,114	26,432	35,595	122,951
Heavy equipment	835,996	65,416	107,283	794,129
Infrastructure	<u>5,395,844</u>	<u>356,179</u>	<u>-</u>	<u>5,752,023</u>
Total accumulated depreciation	<u>6,394,378</u>	<u>449,993</u>	<u>142,878</u>	<u>6,701,493</u>
<b>Governmental activities capital assets, net</b>	<u><u>\$ 13,530,356</u></u>	<u><u>\$ (220,891)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,309,465</u></u>

**6. RETIREMENT SYSTEMS**

Defined benefit pension plan:

Plan description:

Substantially all employees are members of the Parochial Employees' Retirement System of Louisiana. Act 205 of 1952 established this retirement system, effective January 1, 1953. A comprehensive revision of the Parochial Employees' Retirement System law became effective January 1, 1980. This retirement system is operated by a Board of Trustees, an Administrative Director, an Actuary and a Legal Advisor.

All permanent employees of the District who work at least 28 hours a week shall become members on the date of employment. Members become entitled to receive retirement benefits after 10 years of creditable service. Eligibility to actually begin receiving benefits is a function of fulfilling the eligibility provisions of age and service.

Members with 10 years of creditable service may retire at age sixty; members with 25 years of service may retire at age fifty-five; members with 30 years of service may retire regardless of age. The retirement allowance is equal to three percent of the member's final average compensation

**GRAVITY DRAINAGE DISTRICT NO. 4**  
**Lake Charles, Louisiana**  
**December 31, 2005**  
**NOTES TO FINANCIAL STATEMENTS**

**6. RETIREMENT SYSTEMS- (CONTINUED)**

(defined as the average of the highest consecutive 36 months) multiplied by his years of creditable service.

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for this retirement system. DROP is an option for those members who have been eligible for normal retirement for one year. The plan allows the pension benefit that is accrued at that point in time to be calculated and to accumulate with the retirement system while the DROP participant continues to work, freezing the future retirement benefit at retirement.

**Funding policy:**

The system is funded primarily by employer and employee contributions which are expressed as percentages of payroll. The amount of employee contributions is fixed by law. Covered employees were required by Louisiana state statute to contribute 9.5% of their salary to the plan. The District was required by the same statute to contribute 11.75% of eligible salaries. In addition, each sheriff and ex officio tax collector deducts one-fourth of one percent of the aggregate amount of the tax shown to be collected by the tax roll of each respective parish (excepting Orleans and East Baton Rouge Parish) and remits the money to the system on an annual basis. The cost of operating the system is funded by a portion of the contribution.

The District's contributions to the Parochial Employees' Retirement System of Louisiana for each of the years ending December 31, 2005, 2004 and 2003 are presented below. These contributions are equal to the required contributions for each year.

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Employer's contribution	\$ 62,952	\$ 55,190	\$ 34,421
Employee's contribution	46,906	44,621	42,193
	<u>\$ 109,858</u>	<u>\$ 99,811</u>	<u>\$ 76,614</u>

The Drainage District does not guarantee any benefits granted by the retirement system.

**7. EMPLOYEE BENEFIT PLAN**

The District maintains a medical and death benefits plan covering substantially all employees of the District. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and is funded through contributions made by the District through premiums and expenditures made by the District. Effective October 1, 2001, the District changed its medical benefits plan to provide medical benefits through a health insurance policy for which the District is responsible for the premium costs only.

The plan provides benefits that cover permanent, full-time employees of the District who choose to participate following the employee waiting period. The employee waiting period for all new employees is the first of the month following three months of full-time employment. Employees are not required to contribute to the plan in order to participate. The plan also provides continuation coverage as required by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) for qualified beneficiaries who would otherwise have lost coverage under the plan.

Although it has not expressed an intent to do so, the District has the right to discontinue its contributions at any time and to terminate the plan subject to the provisions of ERISA.

**GRAVITY DRAINAGE DISTRICT NO. 4**  
**Lake Charles, Louisiana**  
**December 31, 2005**  
**NOTES TO FINANCIAL STATEMENTS**

**8. BAD DEBTS**

Uncollectible amounts due for ad valorem taxes are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Tax revenue is shown net of the change in estimated uncollectible taxes of \$21,186.

**9. UNRESERVED AND DESIGNATED FUND BALANCES**

The Board of Commissioners continue their policy of designating fund balance to provide a contingency reserve of resources to respond to major equipment overhaul and replacement needs. The various pump systems of the District (with unit replacements ranging from \$100,000 to \$2,000,000 per pump and possibly involving critically short turnaround times) comprise the major objectives of this contingency designation.

**10. SCHEDULE OF COMMISSIONERS' COMPENSATION**

Comissioner:	
Jack Chelette	\$ 4,800
Bernadette Stevens	4,800
Lowell Guillory	4,800
Patrick Hay	4,800
Ernest Walker	4,800
	<hr/>
Total	\$ 24,000

Commissioners are compensated at the rate of \$400 per month.

**11. COMMITMENTS**

The District has entered into an agreement with the Calcasieu Parish Police Jury to share costs on a drainage project (Central Parkway Lateral). Each entity will share in the cost of the project 50-50. The total cost of the project is estimated to be \$1,298,402. As of December 31, 2005, \$45,000 has been expended on the project and has been recorded as construction in progress in the statement of net assets.

**12. HURRICANE RITA**

In September 2005, Calcasieu Parish was affected by Hurricane Rita. Some of the District's facilities were damaged, however, the financial impact on the District is not considered significant.

**13. SUBSEQUENT EVENT**

In January 2006, the public works committee of the Calcasieu Parish Police Jury recommended to gradually migrate the responsibilities of the seven parish drainage districts to the parish's public works department. However, any plan to do so would have to be approved by the full Police Jury and any changes in the ad valorem taxes would have to be approved by parish voters.



**GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND  
BALANCE (GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
Year Ended December 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Ad valorem taxes	\$ 2,000,000	\$ 2,040,000	\$ 1,996,283	\$ (43,717)
State grants - DOTD	175,000	-	-	-
Local grants:				
Calcasieu Parish Police Jury	-	-	74,089	74,089
State revenue sharing	80,400	80,400	80,428	28
Interest	60,000	110,000	186,825	76,825
Proceeds from sale of assets	-	-	40,075	40,075
Miscellaneous	100,000	-	566	566
Total revenues	<u>2,415,400</u>	<u>2,230,400</u>	<u>2,378,266</u>	<u>147,866</u>
Expenditures:				
Public works:				
Drainage and flood control:				
Salaries and benefits	766,310	790,000	813,567	(23,567)
Per diem (Board of Commissioners)	24,000	24,000	24,000	-
Operating services	713,300	592,214	632,116	(39,902)
Materials and supplies	170,700	190,900	161,284	29,616
Intergovernmental charges	69,000	68,400	68,904	(504)
Capital outlay	<u>491,000</u>	<u>316,255</u>	<u>229,102</u>	<u>87,153</u>
Total expenditures	<u>2,234,310</u>	<u>1,981,769</u>	<u>1,928,973</u>	<u>52,796</u>
Excess (deficiency) of revenue over expenditures - budget basis	181,090	248,631	449,293	200,662
Fund balance at beginning of year	<u>7,840,488</u>	<u>7,840,488</u>	<u>7,840,488</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,021,578</u>	<u>\$ 8,089,119</u>	<u>\$ 8,289,781</u>	<u>\$ 200,662</u>

The accompanying notes are an integral part of this statement.



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ACCOUNTING OVERSIGHT BOARD  
CENTER FOR PUBLIC  
COMPANY AUDIT FIRMS

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Gravity Drainage District No. 4  
of Calcasieu Parish  
Lake Charles, Louisiana

We have audited the financial statements of Gravity Drainage District No. 4 of Calcasieu Parish as of and for the year ended December 31, 2005, and have issued our report thereon dated February 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

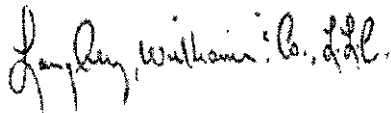
In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Gravity Drainage District No. 4 of Calcasieu Parish**  
**Page 2**

This report is intended solely for the information and use of the Gravity Drainage District No. 4 of Calcasieu Parish, the District's management, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script, appearing to read "James W. Williams, Jr., D.D.", is written in dark ink.

Lake Charles, Louisiana  
February 28, 2006

**GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2005**

**Section I - Summary of Audit Results**

Financial Statements

Type of auditors' report issued	Unqualified
---------------------------------	-------------

Internal control over financial reporting:

- |   |      |
|---|------|
| • Material weaknesses identified?   | None |
| • Reportable conditions identified that are not considered to be material weaknesses? | None |

Noncompliance material to financial statements noted?	No
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Management letter issued?	No
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**Section II – Financial Statement Findings**

None

**GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH**

**SCHEDULE OF PRIOR YEAR FINDINGS  
Year Ended December 31, 2005**

Compliance

2004-1 *Finding.* During 2004, the District wished to enter into a five-year operating lease for a dozer. The District requested proposals from local vendors and made its selection. The winning local vendor's proposal indicated that the financing would be structured as an operating lease through the manufacturer's financing arm, however, the final signed agreement was for lease-purchase. As such, the District failed to comply with state bid law as well as the requirement to obtain approval from the state Bond Commission.

*Recommendation.* The District should work with the local vendor and finance company to cure the instance of noncompliance.

*Corrective Action Taken.* The financing agreement was amended to reflect an operating lease as originally intended.

2004-2 *Finding.* The District's 2004 was not amended when budget-to-actual variances exceeded 5% for revenues and expenditures as required by state law.

*Recommendation.* The District should monitor its budget during the year and amend the budget as necessary to comply with state law.

*Corrective action taken.* The District amended the 2005 budget as required by state law.

Internal Control

2004-3 *Finding.* The District provides some oversight over the accounting process such as board members approving all invoices and signing checks, however, it is not enough to mitigate the lack of segregation of duties in the financial reporting process.

*Recommendation.* The District should implement more oversight, such as monthly board review of bank reconciliations and check registers, in order to help mitigate the lack of segregation of duties.

*Corrective Action Taken.* In addition to the board approving all invoices to be paid as well as signing all checks, a member of the Board now reviews and approves the monthly bank reconciliations and check registers.

Management letter

ML 2004-1. During the course of our audit, we discovered outstanding checks totaling \$4,317 from before 1998. The District has researched these items and cleared them accordingly.

ML 2004-2. During the course of our audit, we reviewed the activity in the garnishments payable account and noted that certain amounts that were withheld from employee checks did not appear to have been remitted to the appropriate agency. The District has researched this account and remitted all monies due to the appropriate agencies.